



## Press Clipping Article

**Title:** Ruling may release tobacco funds

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### Article:

Kentucky stands to get about \$125 million under a North Carolina Supreme Court ruling that tobacco companies wrongly withheld tobacco-settlement funds last year.

Most of the money would be used to repay \$114 million Kentucky allocated this year to pay farmers their 2004 settlement checks after cigarette makers halted payments.

The companies argued that Congress' passage last year of a \$10.1 billion tobacco buyout took them off the hook for the 2004 settlement payments, though buyout disbursements didn't start until 2005. The court rejected that argument yesterday.

The ruling means cigarette makers must pay \$424 million to tobacco growers and holders of growing rights in 14 states, including Kentucky and Indiana.

Bill Phelps, spokesman for Philip Morris USA, and David Howard, spokesman for R.J. Reynolds Tobacco Co., said their companies haven't decided whether to appeal to the U.S. Supreme Court.

Philip Morris and Reynolds are among four major cigarette makers that reached a \$206 billion settlement with 46 states in 1998. One of the companies, Louisville's Brown & Williamson, later merged with Reynolds.

The following year, the four companies also agreed to pay tobacco growers and holders of growing rights \$5.1 billion over 12 years. The so-called Phase II payments were to compensate growers for the expected reduced demand for tobacco.

However, the pact allowed cigarette makers to lower or stop those payments if the government imposed other financial obligations on them.

The buyout legislation did that. In addition to ending the government's tobacco price-support program, it required tobacco companies to make payments to farmers through 2014.

While the buyout meant Phase II payments would end, exactly when was at issue.

Tobacco companies argued that under the Phase II agreement, they could suspend payments for 2004 because that was the year the buyout was passed.

A judge in North Carolina, which has jurisdiction over the agreement, ruled for the companies last year. That ruling held up the 2004 payments, which farmers would have received in December.

But North Carolina's Supreme Court said that because no buyout funds were actually paid in 2004, the companies must make the settlement payments for that year.

Kentucky expects about \$125.6 million, said Joel Neaveill of the Governor's Office of Agricultural Policy.

Most of that will go to repay money the state borrowed or redirected this year so it could pay farmers and quota holders their belated 2004 payments. They received checks totaling \$124 million in June, Neaveill said.

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